

FORMAT	AUDIENCE	CLASSIFICATION	CATEGORY
Policy and Procedure	IGTO Audit & Risk Committee	General	Corporate Governance



**Australian Government**  
**Inspector-General of Taxation**  
**Taxation Ombudsman**

**INSPECTOR-GENERAL and TAXATION OMBUDSMAN – POLICY and  
PROCEDURE**

**IGTO AUDIT AND RISK COMMITTEE CHARTER**

**This Charter was endorsed and approved  
with effect from 3 April 2019**

**Last reviewed 3 April 2019  
Scheduled for review in March 2020**

## Functions of the committee

### Legislative functions of the committee

The *Public Governance, Performance and Accountability Act* (PGPA Act) requires that the Inspector-General of Taxation, as accountable authority, has a committee (subsection 45(1)) and that committee is constituted and performs functions in accordance with any requirements prescribed by the associated rules (subsection 45(2)).

Under the *Public Governance, Performance and Accountability Rule* (PGPA Rule), the accountable authority must determine the functions of the Inspector-General and Taxation Ombudsman agency's (IGTO) committee by written Charter (Charter) (subsection 17(1)).

These functions must include reviewing the appropriateness of the accountable authority's:

- financial reporting;
- performance reporting;
- system of risk oversight and management; and
- system of internal control (subsection 17(2)).

### Additional functions of the committee

In addition to the legislative functions, the committee are to review the appropriateness of the accountable authority's:

- business continuity;
- ethical and lawful conduct;
- mechanisms to ensure implementation of Parliamentary committee reports, external reviews and evaluations; and
- external auditor and independent audit process.

### Role of the committee

The committee is not responsible for the executive management of the above functions. The committee will engage with IGTO management<sup>1</sup> in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the accountable authority.

Members of the committee are expected to understand and observe the legal requirements of the PGPA Act and rules. Members are also expected to:

- act in the best interests of the IGTO as a whole;
- apply good analytical skills, objectivity and good judgment;
- express opinions constructively and openly, raise issues that relate to the committee's responsibilities and pursue independent lines of enquiry; and
- contribute the time required to meet their responsibilities.

Committee members must not use or disclose information obtained by the committee except in meeting the committee's responsibilities, or unless expressly agreed by the accountable authority.

---

<sup>1</sup> The Inspector-General and the Deputy Inspector-General/Chief Finance Officer (CFO).

## Authority

The accountable authority authorises the committee, in accordance with its role and responsibilities, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information) on any matter associated with the business of the IGTO;
- access any relevant information and records of the IGTO;
- review specific matters, at its discretion, according to such criteria as it determines from time to time providing it is relevant to the committee's role;
- discuss any matters with the Australian National Audit Office (ANAO) or other external parties (subject to confidentiality considerations);
- request the attendance of any official, including the accountable authority, at committee meetings; and
- obtain legal or other professional advice, as considered necessary to fulfil its role, at the IGTO's expense, subject to approval by the accountable authority or delegate.

## Membership

The committee will be comprised of three to four external<sup>2</sup> members, appointed by the accountable authority. The accountable authority will seek to ensure the number of committee members is fully maintained. The accountable authority will appoint the Chair of the committee from those external members. Neither the accountable authority nor any other IGTO staff are to be members of the committee.

The committee is authorised to appoint a Chair to act as chair in the absence of the Chair appointed by the accountable authority.

Additional parties may attend meetings as advisers or observers, as determined by the Chair, but will not be members of the committee. Such parties may include:

- the accountable authority;
- IGTO representatives such as the Chief Finance Officer (CFO), committee secretariat and other management representatives; and
- service provider representatives such as the Treasury Chief Financial Officer, Financial Management and Budgets Unit representatives and other management representatives.

A representative(s) of the ANAO will be invited to attend the first quarter planning and financial statement sign-off meetings of the committee as an observer.

Committee members will have a broad range of appropriate skills and experience relevant to the operations of the IGTO. At least one member of the committee will have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

---

<sup>2</sup> Not members of IGTO's permanent staff.

## Functions

### Financial reporting

The PGPA Rule requires that the committee review the appropriateness of the accountable authority's financial reporting for the IGTO. This would entail the committee reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, the Accounting Standards and also consider advice given in supporting guidance.

In fulfilling this function, the committee may:

- review and provide advice on the appropriateness of the accountable authority's:
  - a) annual financial statements;
  - b) information (other than annual financial statements) requested by Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package;
  - c) processes and systems for preparing financial reporting information and additional information required by the Department of Finance to prepare the Australian Government consolidated financial statements;
  - d) financial record keeping; and
  - e) processes in place to allow the IGTO to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.
- meet with IGTO management and the ANAO and external auditor to review financial statements, key accounting policies and the results of the audit.

The committee shall provide an annual statement to the accountable authority as to:

- whether the annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance;
- whether additional IGTO information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance; and
- the appropriateness of the IGTO's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

### Performance reporting

The PGPA Rule requires that the committee review the appropriateness of the accountable authority's performance reporting for the IGTO. This would entail the committee reviewing the mandatory requirements of the PGPA Act, the PGPA Rule, and also the Commonwealth performance framework and consider advice given in supporting guidance. The review would include information provided in the Corporate Plan, the Portfolio Budget Statement and the Annual Performance Statements.

In fulfilling this function, the committee may:

- review and provide advice on the appropriateness of the accountable authority's systems and procedures for assessing, monitoring and reporting on achievement of the IGTO's

performance. In particular, the committee could satisfy itself that:

- a) the IGTO's Portfolio Budget Statements and corporate plan contain appropriate details of how the IGTO's performance will be measured and assessed;
- b) the IGTO's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and corporate plan is appropriate and in accordance with the *Commonwealth performance framework*. This may include reviewing, over time, particular elements of the performance measures; and
- c) the IGTO has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.

The committee shall provide a statement to the accountable authority whether, in their view, the accountable authority's annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

Note: the requirement for entities to prepare performance statements in accordance with section 39 of the PGPA Act applies from 2015–16.

## Risk oversight and management

The PGPA Rule requires that the committee review the appropriateness of the accountable authority's system of risk oversight and management for the IGTO. This would entail the committee gaining a sufficient understanding of the accountable authority's risk appetite and the IGTO's operating environment, and reviewing the mandatory requirements of the PGPA Act, the PGPA Rule, the Commonwealth Risk Management Policy and also consider advice in supporting guidance.

In fulfilling this function, the committee may:

- review and provide advice on the appropriateness of the accountable authority's:
  - a) enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the IGTO's risks, in keeping with the Commonwealth Risk Management Policy;
  - b) approach to managing the IGTO's key risks—including those associated with individual projects and program implementation and activities;
  - c) process for developing and implementing the IGTO's fraud control arrangements consistent with the fraud control framework, and satisfy itself that the IGTO has adequate processes for detecting, capturing and effectively responding to fraud risks; and
  - d) articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the IGTO.

The committee shall provide a statement to the accountable authority whether in their view, the accountable authority's system of risk oversight and management as a whole is appropriate with reference to the Commonwealth Risk Management Policy and any specific areas of concern or suggestions for improvement.

## Internal control

The PGPA Rule requires that the committee review the appropriateness of the accountable authority's system of internal control for the IGTO. This would entail the committee gaining a sufficient understanding of the IGTO's operating context, governance requirements, and reviewing the mandatory requirements of the PGPA Act, the PGPA Rule and also consider advice in supporting guidance.

In fulfilling this function, the committee may review and provide advice on the appropriateness of the accountable authority's:

- internal control framework:
  - a) reviewing management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with; and
  - b) reviewing whether management has in operation relevant policies and procedures—such as accountable authority instructions, delegations, a business continuity management plan, or bullying and harassment policies.
- legislative and policy compliance:
  - a) reviewing the effectiveness of systems for monitoring the IGTO's compliance with laws, regulations and associated government policies with which the IGTO must comply; and
  - b) determining whether management has adequately considered legal and compliance risks as part of the IGTO's enterprise risk management framework, fraud control framework and planning.
- security compliance:
  - a) reviewing management's approach to maintaining an effective internal security system—including complying with *the [Protective Security Policy Framework](#)*—and ICT security policy.
- internal audit coverage:
  - a) reviewing the proposed internal audit coverage, ensuring that the coverage takes into account the IGTO's primary risks, and recommending approval of the internal audit work plan by the accountable authority or the nominated delegate; and
  - b) reviewing all internal audit reports, providing advice to the accountable authority on major concerns identified in those reports, and recommending action on significant matters raised—including identification and dissemination of information on good practice.

The committee shall provide a statement to the accountable authority whether the accountable authority's system of internal control is appropriate for the IGTO, with reference to any specific areas of concern or suggestions for improvement.

## Additional functions

The committee may review and provide advice on the appropriateness of the accountable authority's:

- business continuity:
  - a) satisfy itself that an appropriate approach has been taken in establishing business continuity planning arrangements—including whether business continuity and disaster recovery plans have been periodically updated and tested.
- ethical and lawful conduct:
  - a) assess whether the accountable authority has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.
- Parliamentary committee reports, external reviews and evaluations:
  - a) satisfy itself that the IGTO has appropriate mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the IGTO and implementing, where appropriate, any resultant recommendations.
- external auditor:
  - a) review the professional qualifications of the external auditor and the experience of audit personnel;
  - b) review the external auditor's proposed audit scope and approach in the light of the organisation's circumstances and any regulatory changes;
  - c) consider the independence of the external auditor and any potential conflicts of interest;
  - d) review annually the performance of the external auditor;
  - e) discuss with the external auditor any audit problems encountered during the audit;
  - f) meet at least annually with the external auditors and review the annual management letter of the external auditor; and
  - g) review policies for the provision of non-audit services by the external auditor (for example if the ANAO were to outsource audit aspects).

## Conduct of the audit committee

### Engagement with the ANAO

In undertaking its role, the committee will maintain effective working relationships with IGTO management and the IGTO's external auditor (ANAO). In engaging with the ANAO in relation to its financial statement and performance audit coverage, the committee will:

- provide input on planned ANAO financial statement and performance audit coverage;
- review IGTO-specific external performance audit reports and monitor management's response and implementation of audit recommendations;
- provide advice to the accountable authority on action to be taken on significant issues raised in relevant ANAO reports or better practice guides; and
- provide the opportunity to meet privately with the ANAO at least once per year.

### Reporting

The committee will, as often as necessary, and at least once per year, report to the accountable authority on its operation and activities during the year and confirm to the accountable authority that all functions outlined in this Charter have been satisfactorily addressed.

The committee may, at any time, report to the accountable authority any other matter it deems of sufficient importance to do so. In addition, an individual committee member may at any time request a meeting with the accountable authority.

## Administrative arrangements

### Meetings and Annual Work Plan

The committee will meet at least three times formally per year. An informal meeting may also be arranged to provide further opportunity for discussions.

The Chair is required to call a meeting if asked to do so by the accountable authority, and decide if a meeting is required if requested by another committee member or the ANAO.

The date for the first quarter planning meeting is arranged through communication with the committee secretariat. In preparation for this meeting the committee will prepare a draft work plan that outlines the activities to be undertaken to achieve the committee's functions. The plan should be largely consistent with that contained in Appendix one.

The date for the August financial statement sign-off meeting is determined during the first quarter planning meeting.

The date for the final quarter planning meeting is arranged through communication with the committee secretariat.

Agenda items are arranged through communication with the committee secretariat.

### Quorum

A quorum will consist of a majority of committee members. The quorum must be in place at all times during the meeting. Attendance may occur by way of telephone conference with the consent of the accountable authority.

In exceptional circumstances the accountable authority may consent to a quorum of two committee members.

## Secretariat

The accountable authority, in consultation with the committee, will appoint a person to provide secretariat support to the committee. The secretariat will ensure:

- the agenda for each meeting is approved by the Chair;
- the agenda and supporting papers are circulated at least 5 business days before the meeting; and
- the minutes of the meetings are prepared and maintained.

Minutes must be reviewed by the Chair and circulated within 5 business days after the meeting to each member and committee advisers and observers, as appropriate. The committee may make comment on the minutes and ratify these as final (as appropriate) via email to the secretariat. A copy of the final minutes as ratified will be provided by the secretariat to the committee with the agenda for the next meeting for reference.

## Induction

The Chair and Deputy Inspector-General / CFO will provide induction to help new committee members meet their commitments.

## Remuneration

The Committee will be remunerated on an appropriate basis that is determined by the IGTO.

## Conflicts of interest

Once each year, members of the committee will provide written declarations, through the Chair, to the accountable authority declaring any material personal interests they may have in relation to their responsibilities. Members should consider past employment, consultancy arrangements and related party issues in making these declarations and the accountable authority, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict. The written declarations may be provided using the form contained in Appendix two.

At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the accountable authority where appropriate, if he/she should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

## Reviewing the Charter

The committee will be familiar with this Charter and undertake the roles and responsibilities specified herein. At least once per year the committee will review this Charter. This review will include consultation with the IGTO and make recommendations to the accountable authority about

changes to this Charter to better enable the committee to fulfil its overall purposes. Any substantive changes to this Charter will be formally approved by the accountable authority.

## **Reviewing and assessing committee performance**

The Chair of the committee, in consultation with the accountable authority, will undertake a review of the performance of the committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the accountable authority) with appropriate input sought from the accountable authority, committee members, senior management, the ANAO, and any other relevant stakeholders, as determined by the accountable authority.

## Appendix One - Annual Work Plan

Meeting Date	Focus Area	Management Deliverables	Audit Committee Deliverables
March 2 <sup>nd</sup> Tuesday in March	Internal Controls Risk Management	<ul style="list-style-type: none"> <li>• Internal control framework</li> <li>• Management's application of PSPF</li> <li>• Insurance Cover</li> <li>• Internal Audit Reports</li> <li>• Half yearly update on 2018/2019 Corporate Plan and 2018/2019 Budget including performance measures</li> <li>• Risk Management Policy and Plan</li> <li>• Key Risks from Risk Register</li> <li>• Fraud Plan</li> <li>• BCP</li> </ul>	<ul style="list-style-type: none"> <li>• Statement on appropriateness of internal control</li> <li>• Statement on appropriateness of risk oversight and risk management</li> <li>• Annual review of Audit Committee Charter</li> <li>• Conflict of interest written declarations</li> </ul>
May 4 <sup>th</sup> Tuesday in May	Performance Reporting	<ul style="list-style-type: none"> <li>• 2019/2020 Corporate Plan (approved August)</li> <li>• Portfolio Budget Statements for 2019/2020 (approved early May)</li> <li>• Update on 2018/2019 corporate plan and budget vs actual</li> <li>• Overview of key performance measures and trends for 2018/2019</li> <li>• Deep dive on 1-2 performance measures</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Statement on appropriateness of performance reporting</li> </ul>
September (timing of audit)	Financial Reporting	<ul style="list-style-type: none"> <li>• Financial Statement for 2018/2019</li> <li>• Annual Statement for 2018/2019</li> <li>• External Audit Report</li> <li>• ANAO Audit Report</li> <li>• Management representation letter</li> </ul>	<ul style="list-style-type: none"> <li>• Statement on:               <ol style="list-style-type: none"> <li>a) Financial Statement compliance</li> <li>b) Additional entity information compliance</li> <li>c) Annual performance statement compliance</li> <li>d) Appropriateness of financial reporting</li> </ol> </li> </ul>

## Appendix Two – Committee declaration of interests form

### AUDIT AND RISK COMMITTEE DECLARATION OF INTERESTS

In accordance the with the Inspector-General and Taxation Ombudsman Audit and Risk Committee Charter, members of the committee must declare any material personal interests they may have in relation to their responsibilities. Members should consider past employment, consultancy arrangements and related party issues in making these declarations.

#### COMMITTEE MEMBER ACKNOWLEDGEMENT OF RESPONSIBILITIES AND LIST OF DECLARATIONS

I declare that I am aware of my responsibilities under the Audit and Risk Committee Charter and the below list of my material personal interests has been prepared on the basis of this understanding.

I undertake to inform the accountable authority of any changes to my circumstances that could affect the contents of this declaration.

[Please list any material personal interests which could influence, or could reasonably be seen to influence, the decisions you take or the advice you give.]

<b>Signature</b>		<b>Date</b>	
<b>Surname</b>		<b>First names</b>	